

BLUEGRASS GAS SALES

August 28, 2006

Ms. Beth A. O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602-0615

RECEIVED

AUG 29 2006

PUBLIC SERVICE
COMMISSION

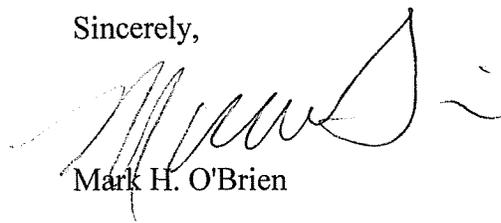
Dear Ms. O'Donnell:

Case No. 2006-00393

Enclosed is the Quarterly Report of Gas Cost Recovery Rate Calculation for the quarter ended June 30, 2006 for Bluegrass Gas Sales, Inc.

Please call me if you have any questions.

Sincerely,



Mark H. O'Brien

Enclosure

P. O. Box 23539
Anchorage, Kentucky 40223

Phone: 502-228-9698
Fax: 502-228-7016
e-mail: mark@texascare.com

Case No. 2006-00393

BLUEGRASS GAS SALES, INC.

Case Number

QUARTERLY REPORT OF GAS COST
RECOVERY RATE CALCULATION

RECEIVED

AUG 29 2006

PUBLIC SERVICE
COMMISSION

DATE FILED: August 28, 2006

DATE RATES TO BE EFFECTIVE: October 1, 2006

REPORTING PERIOD IS CALENDAR QUARTER ENDED: June 30, 2006

Submitted By: Mark H. O'Brien, President
BlueGrass Gas Sales, Inc.
P.O. Box 23539
Anchorage, KY 40223
(502)228-9698
(502)228-7016 fax

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

<u>Component</u>	<u>Unit</u>	<u>Amount</u>
Expected Gas Cost (EGC)	\$/Mcf	\$10.5038
+ Refund Adjustment (RA)	\$/Mcf	\$0.0000
+ Actual Adjustment (AA)	\$/Mcf	(\$1.2291)
+ Balance Adjustment (BA)	\$/Mcf	(\$0.0194)
= Gas Cost Recovery Rate (GCR)	\$/Mcf	<u>\$9.2552</u>

GCR to be effective for service rendered from October 1, 2006 to December 31, 2006

A. Expected Gas Cost Calculation

Total Expected Gas Cost (from Schedule II)	\$	\$353,111
/ Sales for 12 months ended June 30, 2007	Mcf	<u>33,617</u>
= Expected Gas Cost (EGC)	\$/Mcf	<u>\$10.5038</u>

B. Refund Adjustment Calculation

Supplier Refund Adjustment for reporting period (from Schedule III)	\$/Mcf	\$0.0000
+ Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$0.0000
+ Second Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$0.0000
+ Third Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$0.0000
= Refund Adjustment (RA)	\$/Mcf	<u>\$0.0000</u>

C. Actual Adjustment Calculation

Actual Adjustment for reporting period (from Schedule IV)	\$/Mcf	\$ (0.3226)
+ Previous Quarter Actual Adjustment	\$/Mcf	(1.5676)
+ Second Previous Quarter Actual Adjustment	\$/Mcf	0.6182
+ Third Previous Quarter Actual Adjustment	\$/Mcf	0.0429
= Actual Adjustment (AA)	\$/Mcf	<u>(\$1.2291)</u>

D. Balance Adjustment Calculation

Balance Adjustment for the Reporting Period (from Schedule V)	\$/Mcf	\$ (0.0353)
+ Previous Quarter Reported Balance Adjustment	\$/Mcf	0.0166
+ Second Previous Quarter Reported Balance Adjustment	\$/Mcf	(0.0091)
+ Third Previous Quarter Reported Balance Adjustment	\$/Mcf	0.0084
= Balance Adjustment (BA)	\$/Mcf	<u>(\$0.0194)</u>

SCHEDULE II

EXPECTED GAS COST

Projected Purchases for 12 months ended: June 30, 2007

<u>Supplier</u>	<u>Dth</u>	<u>Btu Factor</u>	<u>Mcf</u>	<u>Rate</u>	<u>Cost</u>
Home Office, Inc.	35,445	1.028	34,479	\$10.2412	\$353,111
	0		0		\$0
	0		0		\$0
	0		0		\$0
	0		0		\$0
	0		0		\$0
	0		0		\$0
	0		0		\$0
	0		0		\$0
Totals	<u>35,445</u>		<u>34,479</u>		<u>\$353,111</u>

	<u>Unit</u>	<u>Amount</u>
Projected purchases for 12 months ended June 30, 2007	Mcf	34,479
- Projected sales for 12 months ended June 30, 2007	Mcf	<u>33,617</u>
= Projected line loss for 12 months ended June 30, 2007		<u>862</u>
Total expected cost of purchases	\$	\$353,111
/ Mcf purchases	Mcf	<u>34,479</u>
= Average expected cost per Mcf	\$/Mcf	\$10.2412
x Allowable Mcf purchases (not to exceed 95% of Mcf sales)	Mcf	<u>34,479</u>
= Total Expected Gas Cost (to Schedule I, part A)	\$	<u>\$353,111</u>

SCHEDULE III

SUPPLIER REFUND ADJUSTMENT

For the 3 month period ended: June 30, 2006

<u>Particulars</u>	<u>Unit</u>	<u>Amount</u>
Total supplier refunds received	\$	\$0
+ Interest		<u>\$0</u>
= Refund Adjustment including interest		\$0
/ Sales for 12 months ended June 30, 2006	Mcf	<u>33,617</u>
Supplier Refund Adjustment for the reporting period (to Schedule I, part B)	\$/Mcf	<u><u>\$0.0000</u></u>

SCHEDULE IV

ACTUAL ADJUSTMENT

For the 3 month period ended: June 30, 2006

<u>Particulars</u>	<u>Unit</u>	<u>Month 1</u> (Apr)	<u>Month 2</u> (May)	<u>Month 3</u> (Jun)
Total supply volume purchased	Mcf	1,697	1,270	803
Total cost of volumes purchased	\$	\$15,070	\$8,616	\$4,281
/ Total sales (may not be less than 95% of supply volumes)	Mcf	1,654	1,239	782
= Unit cost of gas	\$/Mcf	9.1086	6.9559	5.4712
- EGC in effect for month	\$/Mcf	\$10.5598	\$10.5598	\$10.5598
= Difference [(over)/under-recovery]	\$/Mcf	(\$1.4512)	(\$3.6039)	(\$5.0886)
x Actual sales during month	Mcf	1,654	1,239	782
= Monthly cost difference	\$	<u>(\$2,401)</u>	<u>(\$4,464)</u>	<u>(\$3,982)</u>
Total cost difference (Month 1+2+3)	\$	(\$10,847)		
/ Sales for 12 months ended June 30, 2006	Mcf	<u>33,617</u>		
Actual Adjustment for the reporting period (to Schedule I, part C)	\$/Mcf	<u>(\$0.3226)</u>		

SCHEDULE V

BALANCE ADJUSTMENT

For the 3 month period ended: June 30, 2006

<u>Particulars</u>	<u>Unit</u>	<u>Amount</u>
(1) Total cost difference used to compute AA of the GCR effective 4 quarters prior to the effective date of the currently effective GCR	\$	(\$10,136)
Less: Dollar amount resulting from the AA of (0.2623) \$/Mcf as used to compute the GCR in effect four quarters prior to the effective date of the currently effective GCR times the sales of 33,617 Mcf during the 12 month period the AA was in effect	\$	<u>(\$8,818)</u>
Equals: Balance Adjustment of the AA	\$	<u><u>(\$1,318)</u></u>
(2) Total supplier refund adjustment including interest used to compute RA of the GCR effective 4 quarters prior to the effective date of the currently effective GCR	\$	\$0
Less: Dollar amount resulting from the RA of _____ \$/Mcf as used to compute the GCR in effect four quarters prior to the effective date of the currently effective GCR times the sales of _____ Mcf during the 12 month period the RA was in effect	\$	<u>\$0</u>
Equals: Balance Adjustment of the RA	\$	<u><u>\$0</u></u>
(3) Total balance adjustment used to compute BA of the GCR effective 4 quarters prior to the effective date of the currently effective GCR	\$	\$1,004
Less: Dollar amount resulting from the BA of 0.0260 \$/Mcf as used to compute the GCR in effect four quarters prior to the effective date of the currently effective GCR times the sales of 33,617 Mcf during the 12 month period the BA was in effect	\$	<u>\$874</u>
Equals: Balance Adjustment of the BA	\$	<u><u>\$130</u></u>
Total Balance Adjustment Amount (1) + (2) + (3)	\$	(\$1,188)
Divide: Sales for 12 months ended June 30, 2007	Mcf	<u>33,617</u>
Equals: Balance Adjustment for the reporting period (to Schedule I, part D)	\$/Mcf	<u><u>(\$0.0353)</u></u>